

Message Text

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ACTION EB-07

INFO OCT-01 ISO-00 AF-10 ARA-06 EA-07 EUR-12 NEA-10

IO-13 OIC-02 SIL-01 AGRE-00 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 EPG-02 AID-05 SS-15

STR-04 ITC-01 TRSE-00 PRS-01 SP-02 FEAE-00 OMB-01

NSCE-00 SSO-00 USIE-00 INRE-00 /130 W

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O R 201552Z MAY 77

FM USMISSION GENEVA

TO SECSTATE WASHDC IMMEDIATE 7536

INFO AMEMBASSY BRASILIA

AMEMBASSY BUENOS AIRES

AMEMBASSY CANBERRA

AMCONSUL JOHANNESBURG

AMEMBASSY MANILA

AMEMBASSY OTTAWA

AMEMBASSY SANTO DOMINGO

AMEMBASSY TOKYO

C O N F I D E N T I A L GENEVA 3965

EO 11652: GDS

TAGS: UNCTAD, ETRD

SUBJ: SUGAR NEGOTIATIONS: INFORMAL MEETINGS MAY 19, 1977

1. SUMMARY: IN A SERIES OF INFORMAL MEETINGS ON MAY 19, MAJOR IMPORTERS (US JAPAN CANADA) AND EXPORTERS (AUSTRALIA, BRAZIL, CUBA, DOMINICAN REPUBLIC, ARGENTINA, SOUTH AFRICAN AND PHILIPPINES) MADE LIMITED PROGRESS TOWARDS RESOLVING DIFFERENCES. NOTABLE EXCEPTION TO THIS PROGRESS WAS CUBA'S REFUSAL, AT THIS POINT IN CONFERENCE, TO CHANGE ITS POSITION ON INITIAL QUOTA ALLOCATION AND FUTURE ADJUSTMENTS, AND COMPLETE REJECTION OF ON-SITE VERIFICATION OF STOCKS. WHILE MEETINGS WERE CONSTRUCTIVE IN NATURE, PROGRESS WAS SLIGHT. END SUMMARY.

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2. DURING MORNING MEETING OF MAJOR IMPORTERS SOME FURTHER MODIFICATION OF IMPORTER COMPROMISE PACKAGE UNDERTAKEN. IT WAS AGREED THAT STOCK LEVEL (ALL TERMED MINIMUM, WITH NO IMPORTER FINANCING) WOULD BE SET AT 3.2 MILLION TONS; THESE STOCKS WOULD BE ACCUMULATED OVER A PERIOD OF THREE YEARS STARTING WITH ENTRY INTO FORCE OF AGREEMENT, BUT ONLY

WHILE QUOTAS WERE IN EFFECT. VERIFICATION REMAINS AN INTEGRAL PART OF STOCK SCHEME. IMPORTERS ALSO AGREED TO STATE THAT THEY ARE WILLING TO RETHINK THEIR POSITION ON IMPORTS FROM NON-MEMBERS AFTER THEY REVIEW AND AGREE TO INITIAL QUOTA ALLOCATIONS. (JAPAN STATED THAT UNLESS THAILAND RECEIVES A SUFFICIENT QUOTA SHARE TO INSURE ITS PARTICIPATION IN AGREEMENT, GOJ WILL NOT AGREE TO A TIGHT NON-MEMBER ARTICLE). ALL OTHER PARTS OF IMPORTER PACKAGE REMAIN UNCHANGED. IT WAS DECIDED TO TEST NEW POINTS ON AUSTRALIA AND BRAZIL BEFORE GOING TO LARGER GROUP.

3. IN EARLY AFTERNOON MEETING WITH TWO EXPORTER DELEGATIONS IMPORTER SPOKESMAN MUSGROVE (CANADA) OUTLINED NEW IMPORTER COMPROMISE PACKAGE. STOCKS WOULD BE ACCUMULATED AT RATE OF 1.3 MILLION TONS BY END OF 1978, 1.3 BY END OF 1979 AND REMAINING .6 IN 1980 (ASSUMING AGREEMENT COMES INTO EFFECT JAN 1978); ALL OF THIS DEPENDENT ON QUOTAS BEING IN FORCE. BOTH AUSTRALIA AND BRAZIL INDICATED COST OF THESE STOCKS TOO GREAT FOR EXPORTERS; BRAZIL RAFFAELLI INDICATED THAT IT WAS WILLING TO HOLD STOCKS IN EXCESS OF TEN PERCENT (1968 RATE), BUT DID NOT SPECIFY NUMBER. BRAZIL, WITH AUSTRALIA (CAMPBELL) SUPPORT, STATED IT WAS WILLING TO ACCEPT AN ELEVEN CENT FLOOR PRICE, BUT THIS DEPENDED GREATLY ON KEEPING PRICES NEAR MID-POINT OF PRICE RANGE AND FLOOR COULD BE DEFENDED. ON OTHER POINTS OF IMPORTER COMPROMISE PACKAGE THERE WAS LITTLE MOVEMENT ON PART OF AUSTRALIA AND BRAZIL.

4. AT SUBSEQUENT MEETING WITH LARGER GROUP OF IMPORTERS
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(BRAZIL ASKED THAT EARLIER "MINI MEETING" NOT BE REVEALED TO NON-PARTICIPANTS), MUSGROVE AGAIN SET FORTH NEW IMPORTER COMPROMISE PACKAGE. STOCK LEVEL AGAIN WAS CHIEF TARGET OF EXPORTER ATTACK. US DEL MADE CLEAR THAT STOCK LEVEL WAS IMPORTANT AND ALSO INFORMED EXPORTERS THAT USG WOULD NOT ACCEPT A PART MINIMUM/PART VOLUNTARY STOCK PROGRAM. EARLY IN MEETING CUBA (CABRISAS; FERMANDEX HAS LEFT FOR MOSCOW) INDICATED THAT IN VIEW OF WIDE DIFFERENCE IN IMPORTER AND EXPORTER POSITIONS, THEY COULD NOT CHANGE THEIR POSITION ON INITIAL QUOTA APPORTIONMENT AND FUTURE NEGOTIATION. CABRISAS WENT ON TO STATE THAT CUBA COULD NOT ACCEPT ON-SITE STOCK VERIFICATION; US DEL (O'DONNELL) STATED THAT USG WOULD NOT ACCEPT AN AGREEMENT WITHOUT VERIFICATION. CUBANS APPEARED TO DROP OUT OF DISCUSSION DURING REMAINDER OF MEETING.

5. BRAZIL AND AUSTRALIA REPORTED THEIR PROBLEMS WITH STOCK LEVEL AND OTHER EXPORTER PARTICIPANTS AGREED. DISCUSSION OF OTHER POINTS WAS ALONG STANDARD LINES. HOWEVER,

DURING DISCUSSION OF PRICE/QUOTA MECHANISM, RAFFAELLI
(SPEAKING ON BEHALF OF BRAZIL ONLY) STATED THT HE COULD
ACCEPT A QUOTA SUSPENSION OPOINT OF X PLUS 6. ALTHOUGH
THERE WAS A HINT THAT AUSTRALIA SUPPORT THIS "CONCESSION",
NO EXPORTER SPECIFICALLY SUPPORTED OR REJECTED THIS
BRAZILIAN MOVE. MEETING THEN MOVED INTO REVIEW OF TECHNICAL
POINTS. SORENSON

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